



## **Management and Fiscal Policy Update**

MFP Committee News from the Chair  
June 23, 2010

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NOTE: Councilmember Duchy Trachtenberg is providing regular updates of the work of the County Council's Management and Fiscal Policy (MFP) Committee as it considers a range of key issues facing the Council and Montgomery County. The purpose of these updates is to provide Montgomery County residents with important information regarding the County's fiscal situation and alternative strategies for addressing our short and long-term fiscal challenges.

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### **Recommendations from the Financial Advisor to the County**

The June 14<sup>th</sup> Management and Fiscal Policy (MFP) committee meeting, chaired by Councilmember Duchy Trachtenberg, focused on reserve and fiscal policies as well as the Revenue Stabilization Fund (RSF). At the meeting, Ms. Nancy Winkler of Public Financial Management, Inc. provided recommendations and relevant information to the committee regarding fiscal policy.

### **Summary of Recommendations**

Montgomery County should:

- Act swiftly and decisively as part of the FY2011 budget process to significantly restore target Fund balance levels
- Amend local law with respect to the Revenue Stabilization Fund (RSF)
- Establish and meet targets for the combined ending General Fund and RSF balance by FY 2020

- Strengthen its budget policy requiring the County to adopt a structurally balanced budget

Ms. Winkler stated that a well designed fund balance policy will consider the following:

- The cash flow timing liquidity needs of a government
- The need to have contingencies for unexpected expenditures, such as extraordinary snow removal or emergencies
- Predictability of revenues and the volatility of expenditures higher fund balance may be needed if revenue sources and/or expenditures are unpredictable
- The potential need to fund unexpected capital situations
- The ability to respond to any revenues shortfall with expenditure adjustments within a fiscal year
- How a government will replenish any draws on fund balances
- A policy on structural balance so the budget does not use nonrecurring revenues (which is fund balance, sale of assets, etc) for recurring expenditures
- How many years (or months) of exposure the government wants as a safety net (3 months is often the standard)
- How cyclical the government's revenues are, and what other exposures are likely (for example, is the government dependent on a large employer that can cut back with no notice)

## June 21 Meeting

This week, the MFP Committee met on Monday, June 21<sup>st</sup> at 10:00 am to discuss the following agenda items:

- [Resolution to approve Franchise Agreement for Use of Public Right-of-Way: Level 3 Communications, LLC](#)
- [Bill 31-10, Board of Investment Trustees - Membership](#)
- [Expedited Bill 30-10, Personnel - Equal Benefits - Fire and Rescue Employees](#)
- [Expedited Bill 41-09, Taxation - Property Tax Credit - Business Incubator](#)

The MFP Committee approved the resolution supporting a franchise agreement for use of public right-of-way: Level 3 Communications Services, Inc. In addition, the Committee approved Bill 31-10, Board of Investment Trustees-Membership. Bill 31-10 revises the composition of the Board of Investment Trustees by providing that the representative of the police bargaining unit serve on the Board indefinitely rather than for a fixed term. Moreover, the MFP Committee approved Bill 30-10, Personnel - Equal Benefits Fire and Rescue Employees. Bill 30-10 amends the law to implement the 2002 collective bargaining agreement with the IAFF (International Association of Fire Fighters) by providing health and insurance

benefits to opposite sex domestic partners of employees in the fire and rescue services bargaining unit. Chair Trachtenberg stated that equity with respect to employee benefits should be across the board for all collective bargaining units.

Finally, the MFP Committee discussed Expedited Bill 41-09 on Business Incubators. Steve Silverman, Director of Economic Development, testified at the committee meeting. The effect of this Bill is to substitute a property tax credit for the property tax which each incubator would otherwise be required to pay because, although the incubator is funded by the County, it is located in a privately-owned, fully taxable building, or, if located in a government-owned building, is occupied by a private business. The Committee approved Bill 41-09 with two minor amendments: (1) the credit is limited to incubators either funded substantially by the state or County or located in state or County buildings; and (2) the effective date of the Bill begins on or after July 1, 2010.

### **June 24 Meeting**

Next, the MFP Committee will meet on Thursday, June 24<sup>th</sup> at 9:30 am. The meeting will be held in the 3<sup>rd</sup> Floor Conference Room of the County Council Office Building located at 100 Maryland Avenue in Rockville. The MFP Committee will discuss the following agenda items:

- [Resolution to approve Reserve and selected Fiscal Policies \(\*continued\*\)](#)
- [Bill 36-10, Revenue Stabilization Fund-Amendments \(\*continued\*\)](#)
- [Tax Supported Fiscal Plan Summary for FY11-16 Public Services Program](#)
- [Office of Legislative Oversight s FY11 Work Program](#)

The committee meeting will be televised live by County Cable Montgomery (CCM Cable Channel 6 on Comcast and RCN, Channel 30 on Verizon) and also will be available via streaming through the County Web site at [www.montgomerycountymd.gov](http://www.montgomerycountymd.gov).

The MFP Committee includes Councilmembers Duchy Trachtenberg, Valerie Ervin and Nancy Navarro.

Please contact Laurie Mintzer Edberg, Director of Management and Fiscal Policy in the Trachtenberg Office, at 240-777-7948 (direct dial) or [laurie.edberg@montgomerycountymd.gov](mailto:laurie.edberg@montgomerycountymd.gov) with any questions or concerns regarding the MFP Committee.